



Zortman and Landusky Mines

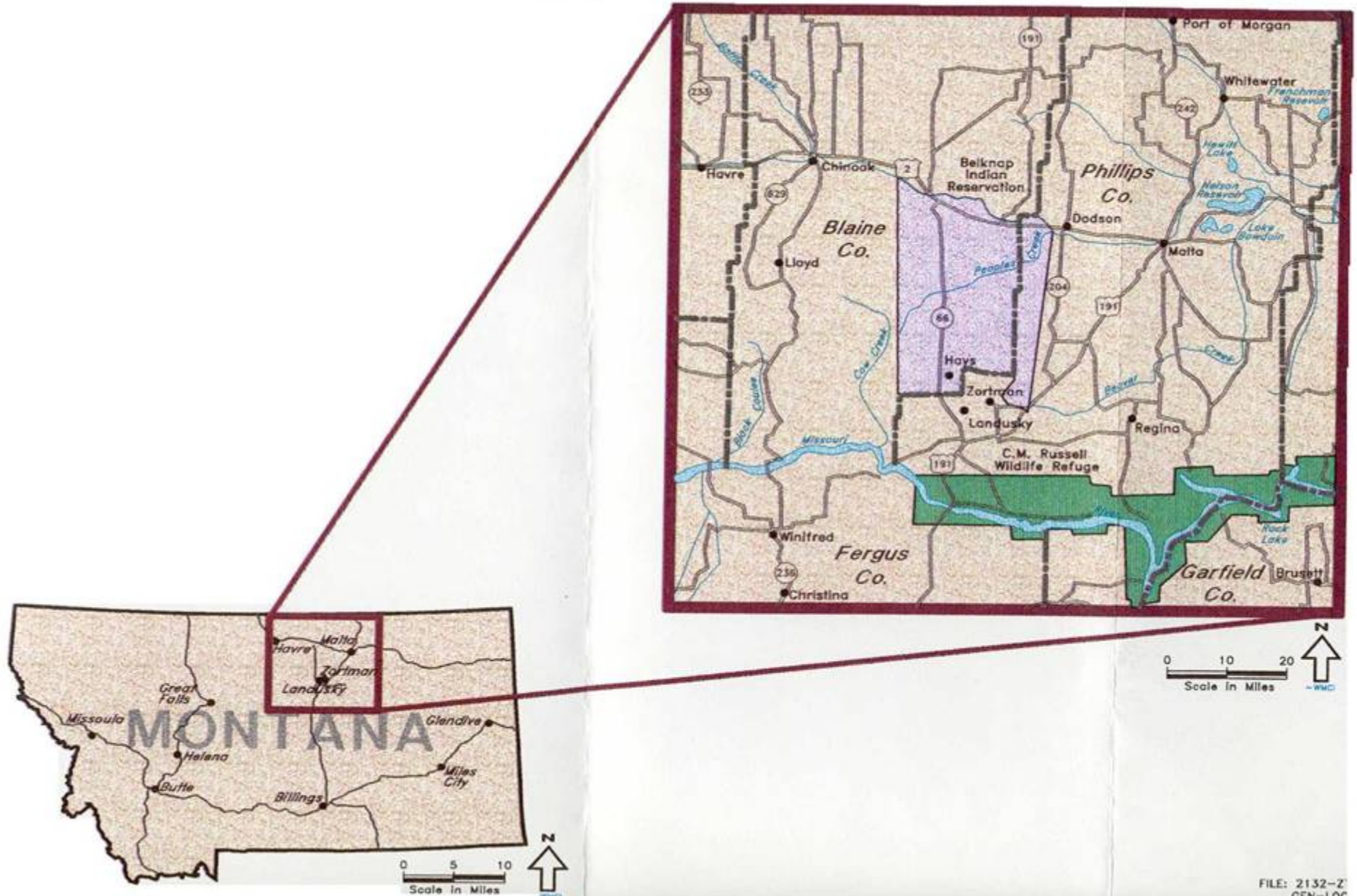
Phillips County, Montana

Landusky Mine

Zortman Mine

Project History
February 2006

Zortman and Landusky Mines - General Location Map

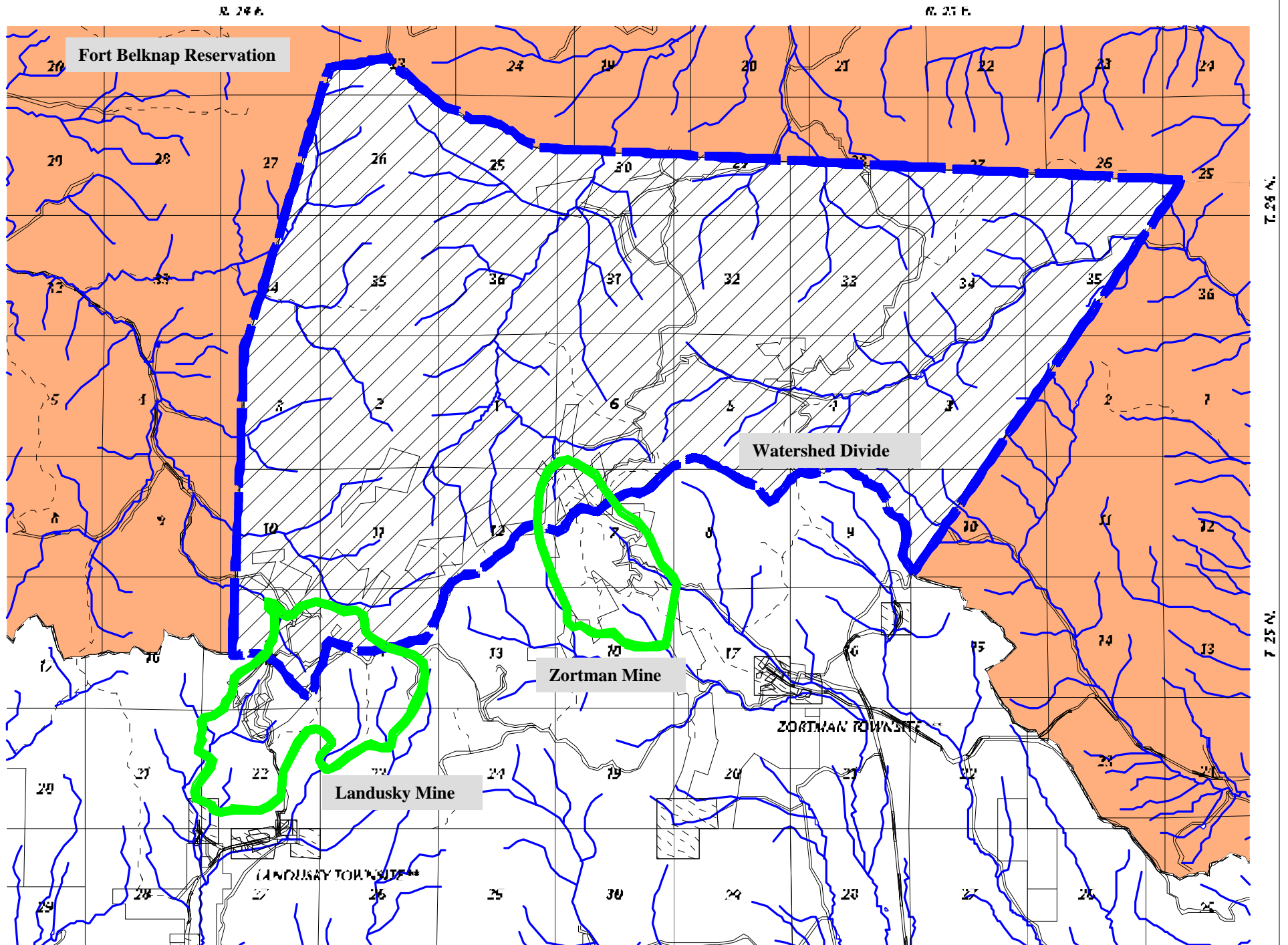


History



Whitcomb Mill

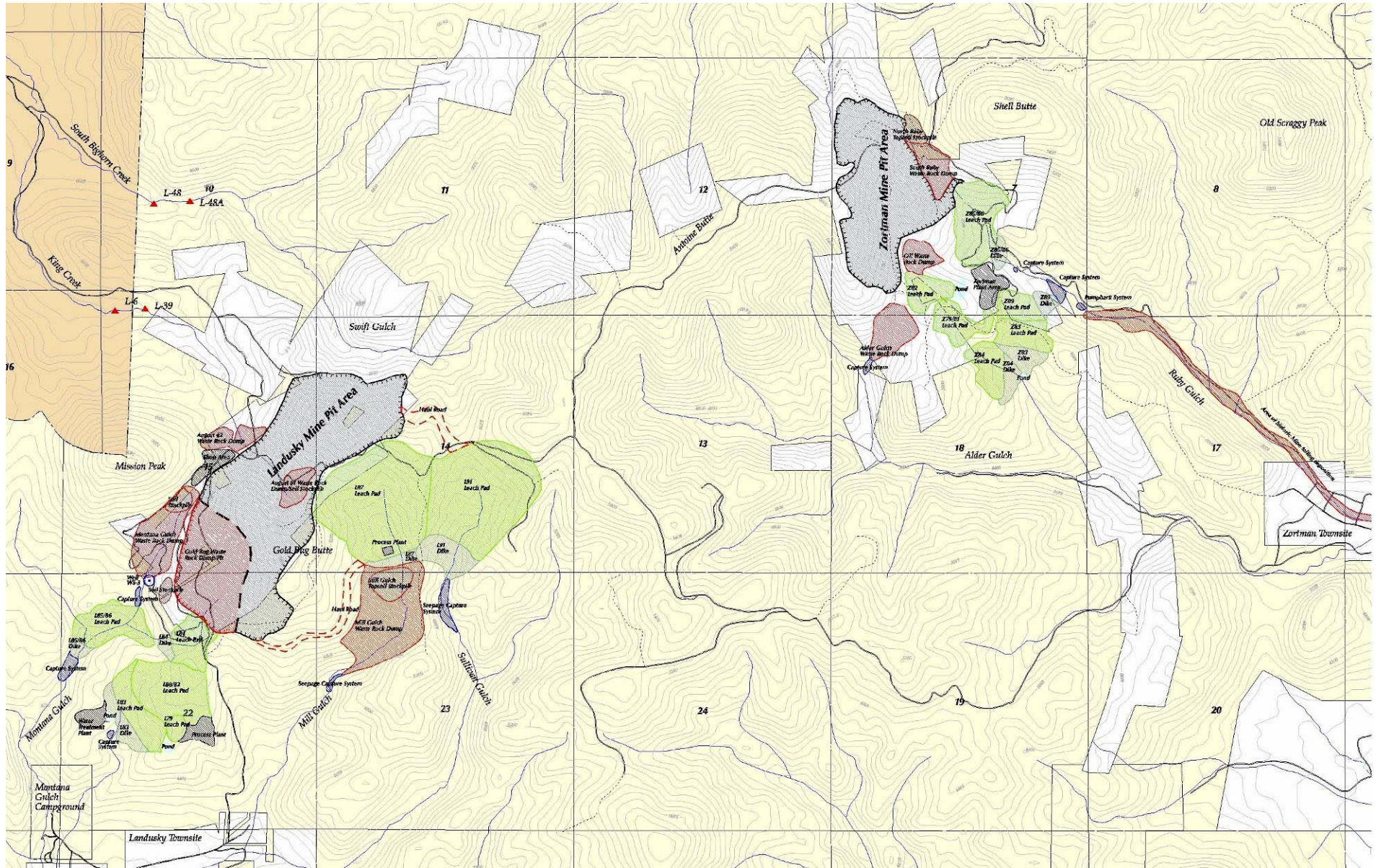
- Historic Mining District Beginning in the 1880's
 - Underground Mining, Vat Leaching
- Part of the Mountains Purchased from Fort Belknap Reservation in 1895 for Mining (Grinnell Treaty)



History

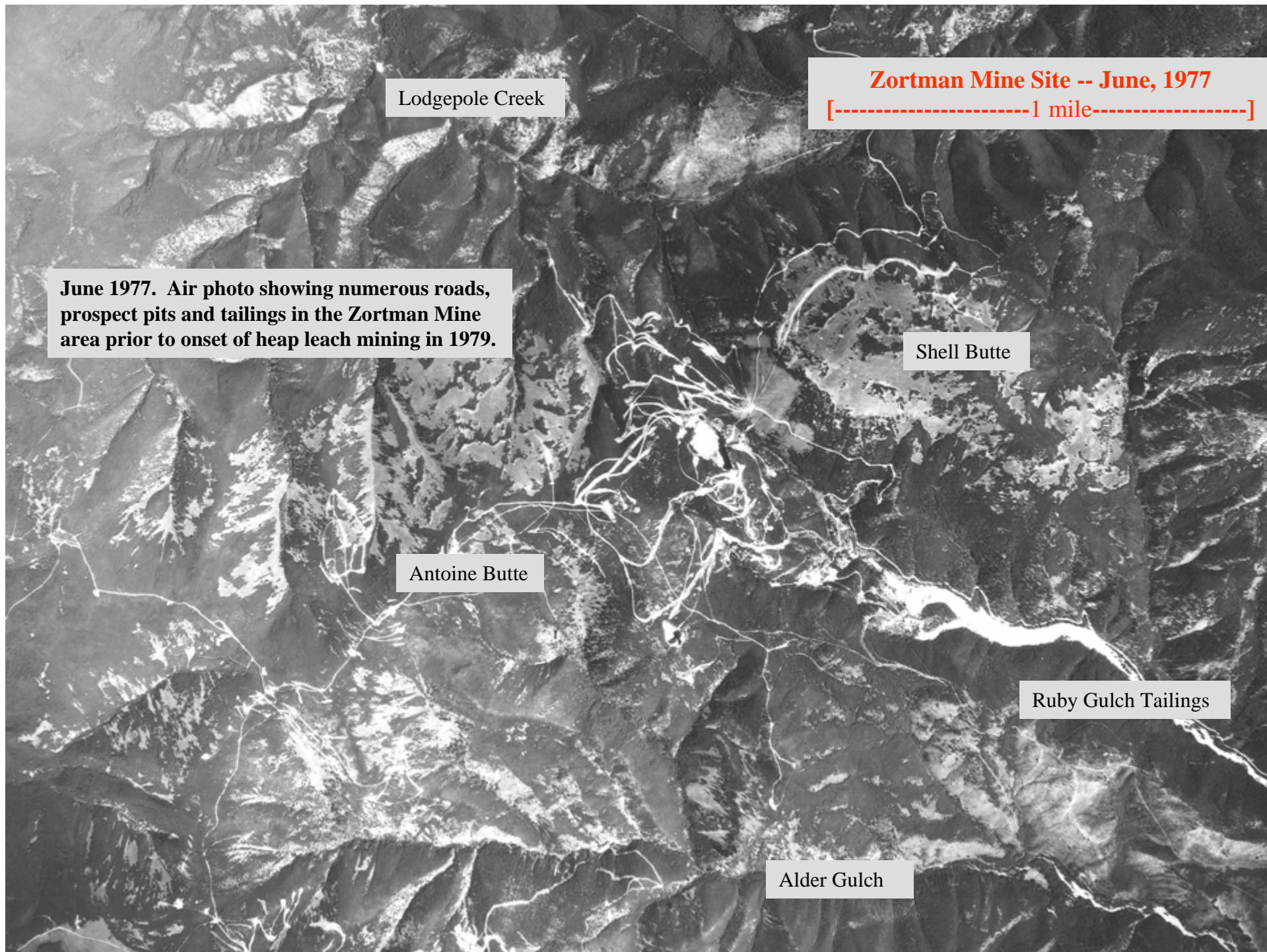
- “Modern” Open Pit Heap Leach Operations Began in 1977
- State Operating Permits Issued in 1979 after completion of an EIS by the State
- BLM Plans of Operations Approved in 1981 under the 3809 Regulations
- Amendments/modifications were made to the Mine Plans from 1979 thru 1991 as mining continued
- Ultimate mine disturbance is 1200 acres – About ½ on BLM-lands

Zortman and Landusky Mines - Facilities & Land Status Map



Zortman Mine Background

- 11 Amendments to the Zortman Mine State Permit Between 1979 and 1988
 - Disturbance went from 273 acres to 401 acres
 - 20 million tons of ore mined
 - About 95 acres of the mine disturbance is on BLM-administered lands



Lodgepole Creek

Zortman Mine Site -- June, 1977
[-----1 mile-----]

June 1977. Air photo showing numerous roads, prospect pits and tailings in the Zortman Mine area prior to onset of heap leach mining in 1979.

Shell Butte

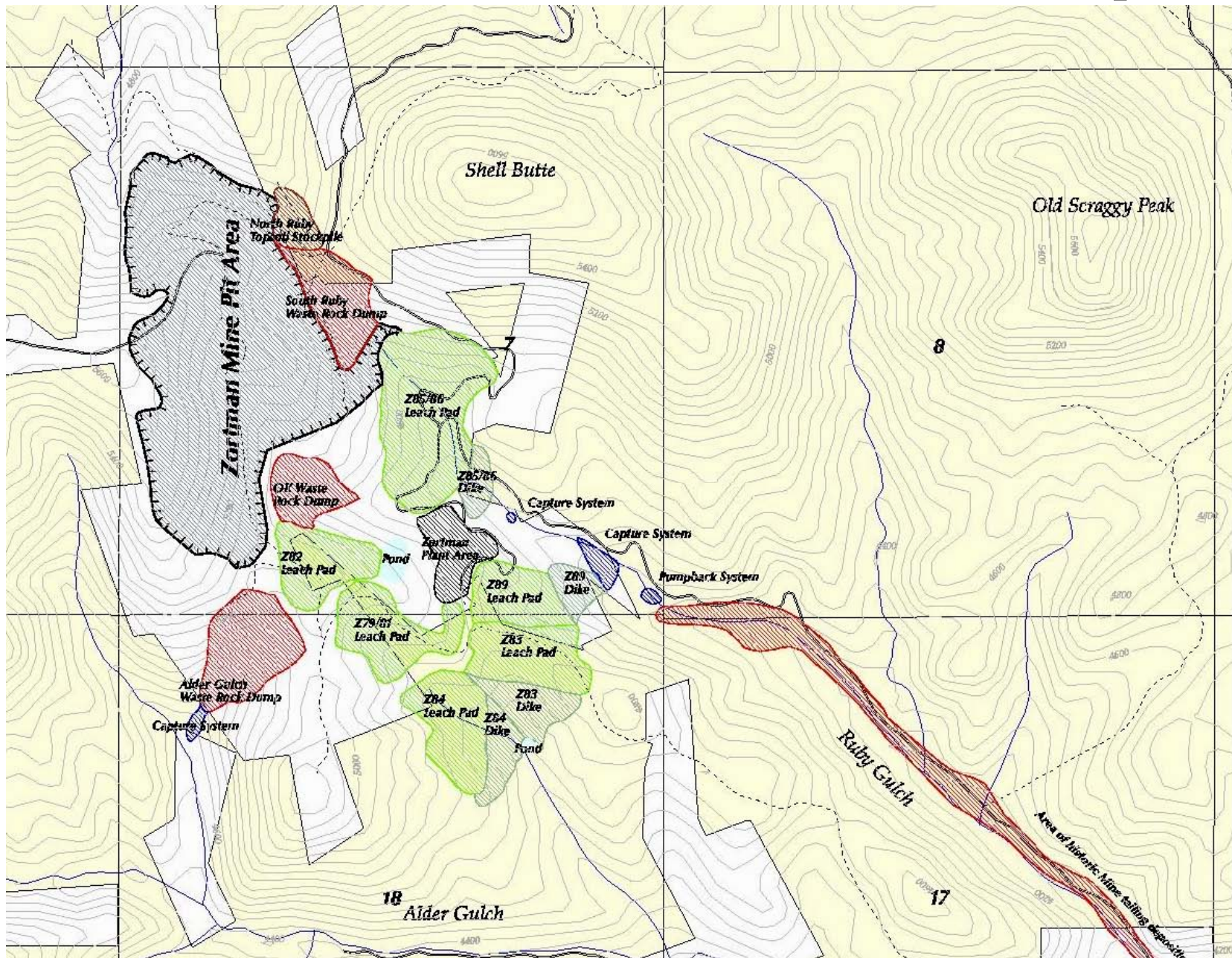
Antoine Butte

Ruby Gulch Tailings

Alder Gulch



Zortman Mine - Facilities & Land Status Map



Landusky Mine Background

- 10 Amendments to the Landusky Mine State Permit Between 1980 and 1991
 - Disturbance went from 256 acres to 814 acres between 1980 and 1991
 - 117 million tons of ore mined
 - About 472 Acres of the mine disturbance is on BLM-administered lands

Landusky Mine Site -- June, 1977
[-----1 mile -----]

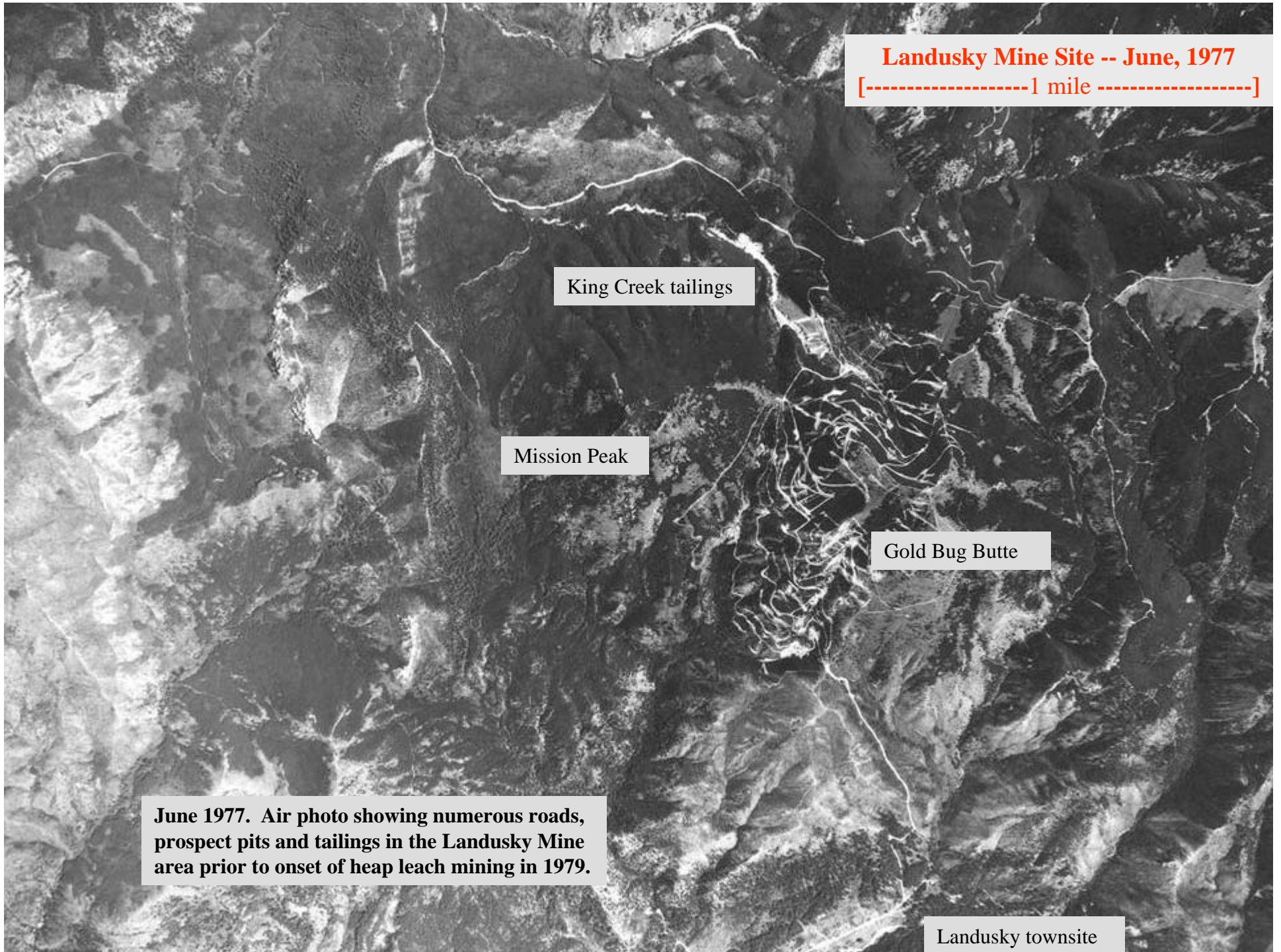
King Creek tailings

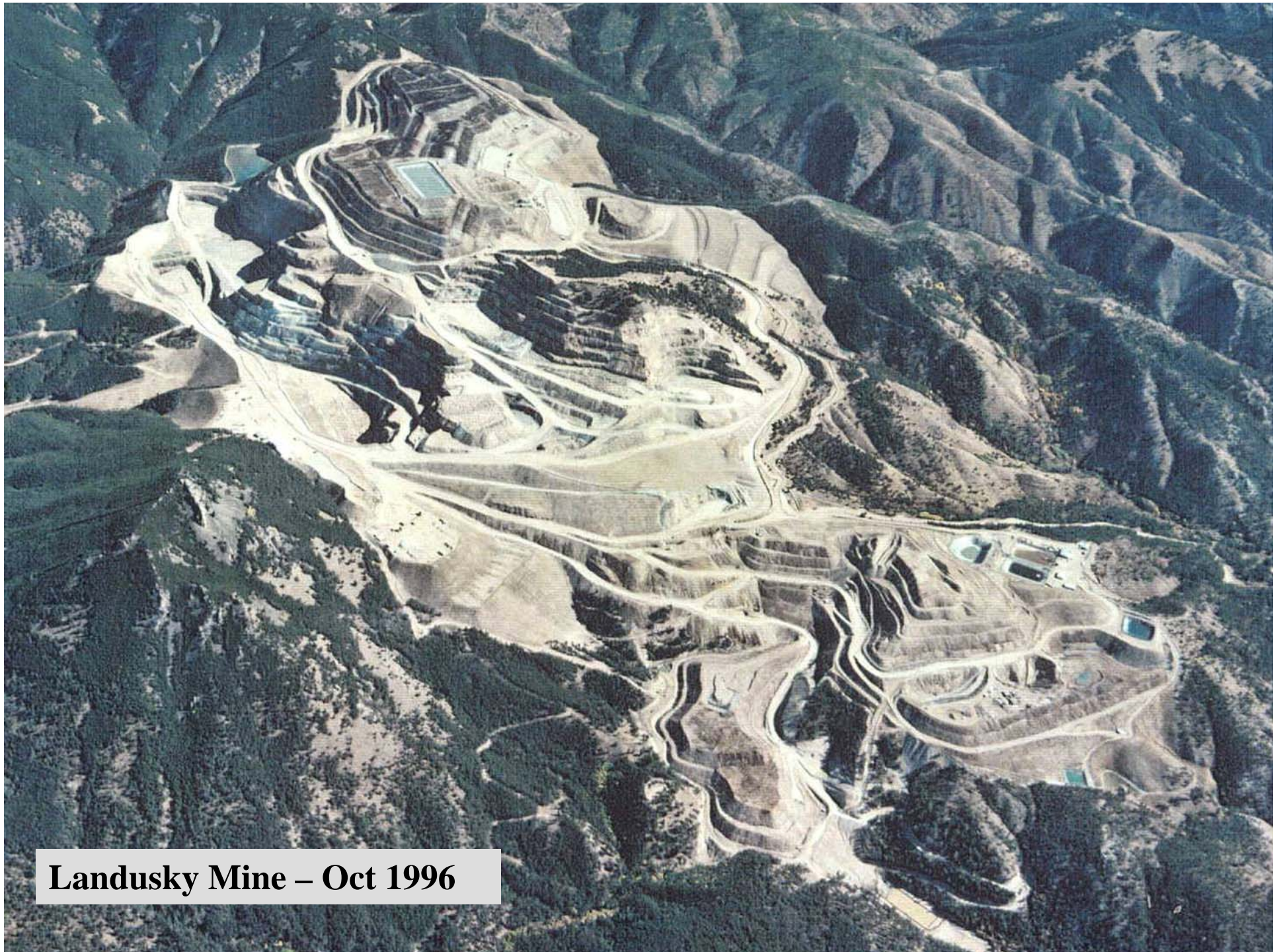
Mission Peak

Gold Bug Butte

June 1977. Air photo showing numerous roads, prospect pits and tailings in the Landusky Mine area prior to onset of heap leach mining in 1979.

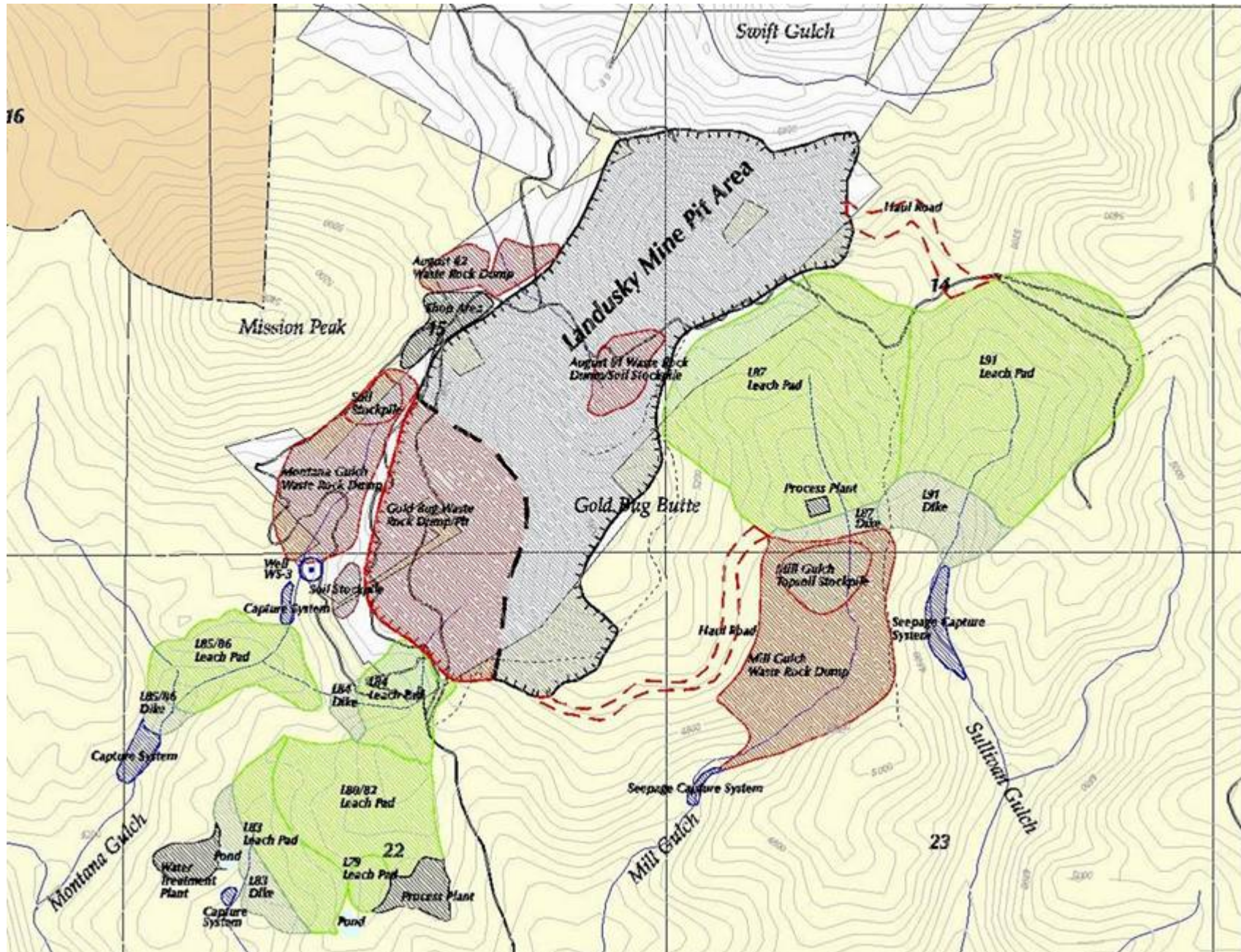
Landusky townsite





Landusky Mine – Oct 1996

Landusky Mine - Facilities & Land Status Map



Recent Events and Issues

- **1992**

- Acid Rock Drainage (ARD) noted during review of mine expansion plans

- **1993**

- BLM/Montana DEQ Order the operator (ZMI) to modify the Reclamation Plans and address ARD character of the site
- Clean Water Act litigation starts between Montana DEQ, EPA, Fort Belknap, and the operator

Recent Events and Issues

- **1996**

- Clean Water Act Consent Decree approved to settle litigation
- Final EIS on mine expansion and reclamation is includes water quality improvement and compliance plans
- Fort Belknap Tribes appeal mine expansion

Recent Events and Issues

- **1998**
 - Pegasus Gold/ZMI File for Bankruptcy
 - Expansion Plans Cancelled by the Company
 - \$8.5 Million Reclamation Bond Shortage Claim Filed with Bankruptcy Court (Received \$1 million)
 - IBLA Vacates BLM's Reclamation Record of Decision
 - Requires More Consultation with the Fort Belknap Tribes on Final Mine Reclamation
 - Says Not Enough Groundwater Information in the 1996 Final EIS

Recent Events and Issues

- **1999 – 2001**
 - BLM Consults with Fort Belknap on Final Mine Reclamation
 - New Reclamation Alternatives Prompt Preparation of a Supplemental EIS Specific to Reclamation
 - Fort Belknap Tribes File Suit Against BLM, BIA, and IHS Over Trust Violations in Federal District Court
 - “Interim” Reclamation Proceeds at the Mines

Consultation with the Fort Belknap Government

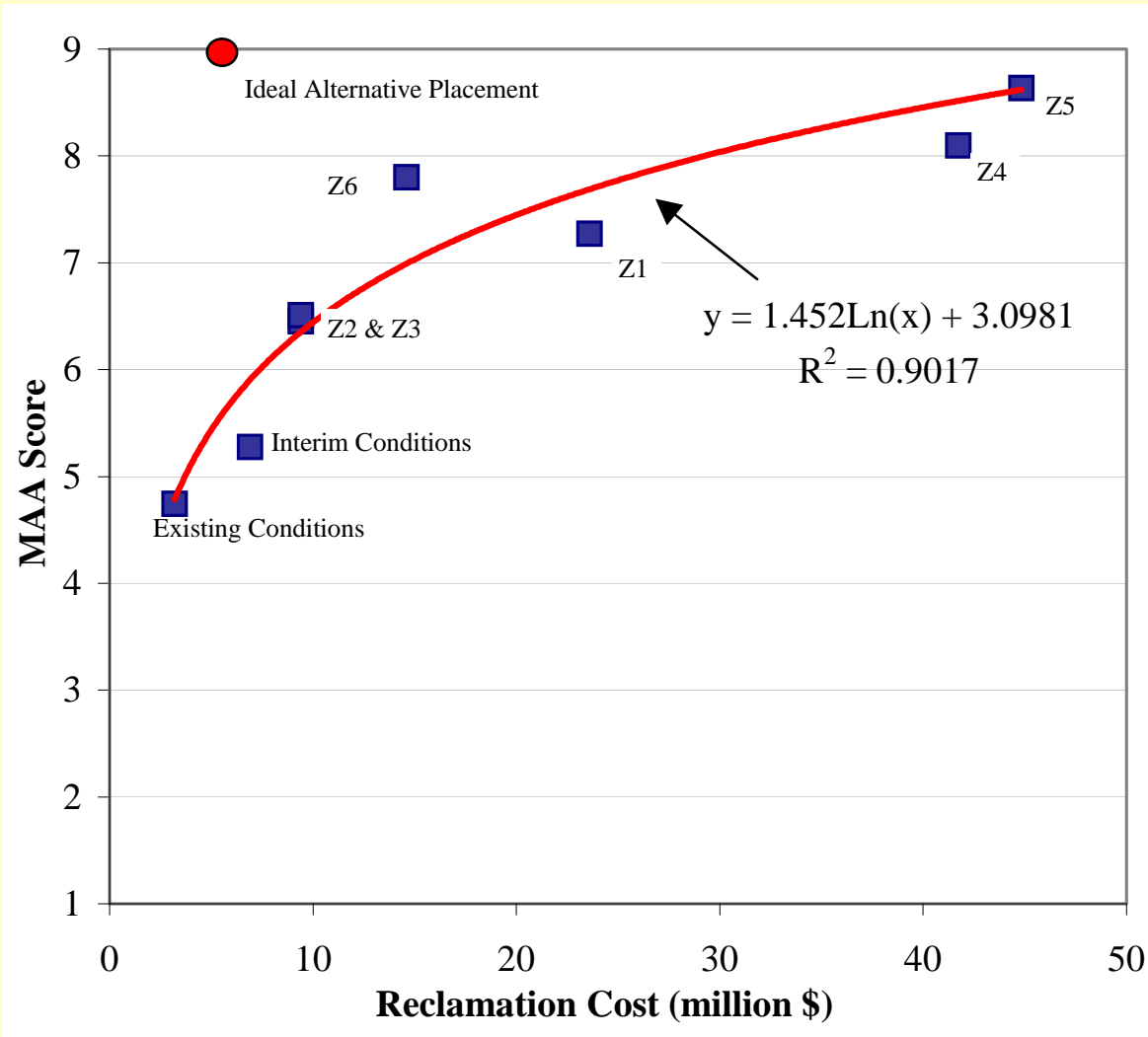


- Technical Working Group Formed to Develop and Evaluate Reclamation Plans
 - Consisted of BLM, DEQ, EPA, Fort Belknap, & Spectrum Engineering
- 27 Technical working group meeting and 20 management meetings over 3-year period
- Fort Belknap Reviewed the EIS text and draft ROD

Supplemental EIS (SEIS)

- Determined necessary in 2000 due to potential for substantial change in the Reclamation Plans
- Interagency MOU signed between BLM, DEQ, EPA, Fort Belknap on SEIS preparation
- 12 Alternatives Developed, Six for each Mine
- Final SEIS Released December 2001
- Record of Decision Signed May 1, 2002
- Decision was issued to the Bankruptcy Trustee in his role as Operator

Multiple Accounts Analysis Scores versus Cost (Zortman Mine)



Graph shows expected reclamation performance on a scale of 1 to 9 plotted against cost for the Zortman Mine SEIS reclamation Alternatives Z1 thru Z6.

MAA Scores generated by a consensus scoring process using agency and tribal technical specialists.

Reclamation performance was evaluated in various categories ranging from water quality protection to more subjective topics like visual impact acceptability.

Recent Events

- **2002 – 2003**
 - Fort Belknap Tribes Appeal the BLM 2002 ROD to IBLA
 - Fort Belknap Tribes and others File Suit Against the DEQ in State District Court
 - No Stays or Injunctions Filed, Mine Reclamation Continues

Recent Events

- **2003 – 2005**

- Fort Belknap Tribes file new Clean Water Act Citizen Suit against BLM, DEQ, and patented claim owner
- ZMI Bankruptcy Proceedings Complete, December 2003
- July 2004, BLM completes Action Memo invoking use of its CERCLA authority to maintain water capture and treatment operations
- Fort Belknap CWA Citizen Suit dismissed by Federal Court due to lack of Court jurisdiction
- Reclamation Earthwork Completed, Spring 2005

Current Project Status-Litigation

- Federal Lawsuits
 - Trust suit filed April 2000 against BLM, BIA, HIS
 - Summary Judgment ruled in BLM's favor, June 2004
 - Appealed by Fort Belknap to 9th Circuit Court
 - CWA Citizen Suit filed by Fort Belknap, January 2004
 - Summary Judgment ruled in BLM's favor, February 2005
- IBLA Appeal
 - Filed June 2002 on the BLM ROD
 - Allege backup reclamation plans violate FLPMA
 - Motion to Dismiss as Moot filed by BLM
- State Lawsuit
 - Filed July 2002 on the DEQ ROD
 - Alleges backup reclamation plans violate State law



Zortman/Landusky Mine administrative record

Current Project Status

- Zortman Mine reclamation completed in 2004 minus Alder Gulch dump removal (private lands)
 - Rock dump lift removal pending (need \$ 1.7 million)
- Landusky Mine reclamation completed in 2005
- Revegetation monitoring and maintenance remain
- Project area withdrawn from mineral entry until 2010
- The mines are presently managed under BLM's CERCLA authority
- Water treatment ongoing